

## **Transportation Revenue Summary for the November 2007 Forecast**

### **Fuel Tax Revenues**

The November gasoline revenue forecast is nearly unchanged from the September forecast. The much higher long-term gasoline prices forecasted in September remain relatively unchanged although rising short-term prices in FY2008 will further dampen demand. In the long-term, demand for gasoline is reduced by lower population projections while a higher inflation forecast lowers inflation-adjusted gasoline prices. These two trends tend to offset one another in the long-term, resulting in a minimal revenue increase of only 0.1 percent over the forecast horizon.

A forecast of higher real personal income for Washington from the Economic and Revenue Forecast Council results in higher gross diesel revenue throughout the forecast period. Revenue from diesel taxes is up by an average 0.9 percent over September's forecast.

Higher year-to-date non-highway refunds, especially in tribal reservation refunds, are increasing the amount of deductions subtracted from gross collections to determine net motor fuel distributions. This trend is projected to continue throughout the forecast horizon. Tribal refunds are expected to increase and change frequently as more tribes switch from per capita based tribal tax agreements to gallon based refund agreements. Administrative expenses have also been adjusted higher to reflect the actual expenses experienced to date.

### **Licenses Permits and Fees Revenues**

There are only minor changes for the November 2007 forecast for licenses, permits, and fees. These changes are due principally to a revised estimate of the Washington population forecast. The lower forecast of the driving-age population results in a lower forecast for the registration of cars and trucks. The November forecast is 0.18 percent lower than the September forecast for the current biennium. By 2021-23, the forecast is around 0.95 percent lower than the previous forecast.

### **License Plate Replacement and License Plate Reflectivity Fees**

There is little change to the November license plate replacement forecast and license plate reflectivity forecast. The decrease to the license plate replacement and license plate reflectivity forecasts in the current biennium is approximately 0.5 percent and is attributable to slightly lower than expected plate sales to date. Fiscal year 2008 includes the catch-up of deferred plate replacements from fiscal year 2007.

### **Department of Licensing (DOL) Services and License Plate Technology Fees**

The November forecast for DOL services and license plate technology fees are essentially unchanged from the forecast prepared in September except for minimal changes to the year-to-date revenue collections and the projected population adjustments through the remainder of the forecast period.

### **Ferry Fare Revenue**

The November Washington State Ferries unconstrained ridership forecast reflects slightly higher ridership demand throughout the forecast period due to higher projections of real personal income and higher gasoline prices that cause ridership demand associated with auto travel to be lower. Compared to the September forecast, employment is projected to be marginally lower, which pushes ridership demand down, and inflation is projected to be slightly higher which tends to push ridership up. The combined effects of the economic projections yield somewhat higher unconstrained ridership projections over the forecast horizon. In the outer years of the forecast horizon, projected vehicle demand regularly exceeds available vessel capacity on several routes under the current service assumptions.

Including actual revenue for July through September 2007, revenue for fiscal year 2008 is projected to total \$152.7 million, or \$0.8 million (0.5 percent) lower than forecast in September. For fiscal year 2009, revenue is projected to be \$0.3 million (0.2 percent) lower than predicted in September. Overall, fare revenue for the 2007-09 biennium is projected to be \$309.3 million under all three scenarios, or \$1.1

million (0.4 percent) lower than in September. Further out in the forecast horizon, revenue is predicted to be 0.1 percent to 0.2 percent higher than projected in September due to the higher passenger ridership.

### **Tacoma Narrows Bridge Toll Revenues**

The Tacoma Narrows Bridge Toll revenue forecast is based on pre-opening assumptions provided by the traffic and revenue consultant for the Tacoma Narrows Bridge. Toll collection began on July 16, 2007. Toll rates adopted include a discount for electronic toll collection (ETC). From July 16, 2007 through June 30, 2008 the tolls are \$1.75/ETC per 2-axle vehicle and \$3.00/cash per 2-axle vehicle with per axle proportional tolls for multi-axle vehicles. The revenue forecast now includes estimated revenue from transponder sales, which is based primarily on a maintenance level due to market saturation.

### **Aviation Fuel Tax Revenue**

The November aviation fuel tax forecast relies on the gasoline forecast, and as such shows a slight decrease from the forecast prepared in September. Estimates for the current biennium are essentially unchanged and the forecast in later biennia reflect a decrease of less than 0.3 percent over the forecast period.

### **Aeronautics Revenues**

The November aeronautics revenue forecast is slightly lower in comparison to the September forecast as a result of the lower total population forecast.

### **Rental Car Tax**

The forecast for the 2007-09 biennium was decreased \$0.17 million to \$48.9 million and the forecast for the 2009-11 biennium was increased \$0.05 million to \$52.6 million. Improvement in Global Insight's forecast of US unemployment and US personal income through 2015 was outweighed in the near term by the effects of re-estimation of the forecasting equation in light of recent historical revisions to personal income. The forecast includes a slight increase of approximately \$0.1 million per year from tax payments by previously untaxed car-sharing companies that began on November 1, 2007. Biennial forecasts through 2015-17 showed increases from \$0.1 to \$0.2 million, while subsequent biennial forecasts decreased by \$0.2 to \$0.4 million due to changes in the Global Insight forecast and the re-estimated trend.

### **Vehicle Sales Tax**

The forecast for the 2007-09 biennium was decreased \$0.2 million to \$76.7 million due to a slight decrease in the Global Insight forecast of the growth rate of new and used vehicle sales and leases. Aside from fiscal 2008, the remainder of the Global Insight forecast indicated slightly higher growth than the previous forecast. The 2009-11 forecast increased by \$0.57 million and the remainder of the biennial forecasts showed increases ranging from \$0.16 to \$0.74 million.

### **Drivers Licensing and Related Fees**

The November forecast of revenue to the Highway Safety Account from drivers licensing and related fees is essentially unchanged. The current biennium is slightly lower (-0.15 percent) than the September forecast due to a lower level of activity in original licenses, renewals, duplicates, and identicards. The slightly lower forecast for the outer biennia is the result of lower vehicle growth that influences motor vehicle filing fees. The forecast for copies of records is unchanged from the forecast prepared in September except for an adjustment in fiscal year 2008 of \$112,000 or 0.7 percent as the result of actual collections to date.

### **State Patrol Highway Account**

Starting in fiscal year 2008, two new revenue streams resulting from 2007 legislation; an additional fee of \$10 on dealer temporary permits and an increase of \$5 in the fee for certified abstracts of driver records (ADR) goes to the State Patrol Highway Account. The November forecast assumes no changes in ADR request patterns except for the inclusion of revenue collections to date, a slight increase of \$31,000 or 0.2 percent. It should be noted that the State Patrol only receives a distribution from the sales of ADR, not from monitoring fees or title verifications as does the Highway Safety Fund. We will be monitoring the

development in this area and adjust forecasts as needed. Dealer temporary permit forecasts show a small decrease in the November forecast for the current biennium of \$21,600 or 1.2 percent, attributable to advance purchases of Dealer Temporary Permits.

### **Motorcycle Drivers Licensing Fees**

The November forecast of revenues to the Motorcycle Safety Education Account is slightly higher than the September forecast due to more exams, permits and license issuances than previously expected. The current biennium revenue estimate is 1.3 percent higher or \$45,100 when compared to the September forecast.

### **Motor Vehicle Fund Miscellaneous Revenues**

The November Motor Vehicle Account miscellaneous revenue forecast for the current biennium is essentially unchanged from the September forecast. Small changes in the actual collections carry through the forecast period resulting in a slightly lower forecast for revenues this quarter than was estimated in September. Real estate related revenues were updated to reflect future anticipated sales.

### **Washington State Ferry Miscellaneous Revenue**

The forecast for Washington State Ferries miscellaneous revenue in the current biennium has been increased (\$12,000 or 0.18 percent) from the level projected in September due to adjustments resulting from revenue collections to date. The outer biennia also show small revisions to the estimates (less than 1 percent) when compared with the September forecast. Increases towards the end of the forecast period (2 percent to 3 percent) are the result of forecast increases in vending service and retail terminal activity.

### **Federal Funds**

The November forecast for Washington's apportionment of Federal Highway Trust Fund receipts is unchanged from the forecast prepared in September except for the inclusion of the October apportionment notices for FFY 2008. The continuing resolution transmitting the certificates of apportionment included a takedown from the core programs to fund the National Highway Traffic Safety Administration that reduced Washington's apportionments for FFY 2008 by \$19 million or 0.35 percent. The November forecast for FFY 2009 and beyond is unchanged.

Forecast to Forecast Comparison for Transportation Revenues and Distributions November 2007 • <i>millions of dollars</i>									
	2005-07			Current Biennium 2007-09			16-Year Period (2007-2023)		
	Actual November 07	Change from September 07	Percent Change	Forecast November 07	Change from September 07	Percent Change	Forecast November 07	Change from September 07	Percent Change
<b>Sources of Transportation Revenue</b>									
Motor Vehicle Fuel Taxes	2,215	0	0%	2,589	4.5	0.2%	24,586	65.0	0.3%
Licenses, Permits and Fees	815	0	0%	941	(1.7)	-0.2%	8,477	(62.1)	-0.7%
Ferry Fares**	286	0	0%	309	(1.1)	-0.4%	3,279	2.3	0.1%
Toll Revenue***			n/a	77	1.2	1.5%	1,343	10.2	0.8%
Aeronautics Revenues	6	0	0%	6	0.0	0.0%	54	(0.1)	-0.2%
Rental Car Tax	45	0	0%	49	(0.2)	-0.4%	510	(0.7)	-0.1%
Vehicle Sales Tax	73	0	0%	77	(0.2)	-0.3%	767	1.8	0.2%
Driver Licenses and Other Driver-Related Fees	154	0	0%	159	(0.2)	-0.1%	1,422	(0.5)	0.0%
Miscellaneous Revenues	40	0	0%	20	(0.5)	-2.7%	178	(1.6)	-0.9%
<b>Total Revenues</b>	<b>3,634</b>	<b>0</b>	<b>0%</b>	<b>4,227</b>	<b>1.7</b>	<b>0.0%</b>	<b>40,615</b>	<b>14.3</b>	<b>0.0%</b>
<b>Distribution of Revenue</b>									
Motor Fuel Tax Refunds and Transfers	86	0	0%	110	6.8	6.2%	1,102	53.1	-4.8%
<b>State Uses</b>									
Motor Vehicle Account (108)	1,104	0	0%	1,106	2.3	0.2%	9,983	11.9	0.1%
Transportation 2003 (Nickel) Account (550)	352	0	0%	363	(0.8)	-0.2%	3,404	(4.0)	-0.1%
Transportation 2005 Partnership Account (09H)	238	0	0%	542	(1.2)	-0.2%	5,598	(7.5)	-0.1%
Multimodal Account (218)	212	0	0%	253	(0.5)	-0.2%	2,432	(6.1)	-0.2%
Special Category C Account (215)	49	0	0%	50	(0.1)	-0.2%	467	(0.3)	-0.1%
Puget Sound Capital Construction Account (099)	36	0	0%	37	(0.1)	-0.2%	340	(0.2)	-0.1%
Puget Sound Ferry Operations Account (109)	346	0	0%	377	(1.3)	-0.3%	3,924	3.0	0.1%
Tacoma Narrows Bridge Account (511)	n/a	n/a	n/a	77	1.2	1.5%	1,343	10.2	0.8%
Aviation Account (039)	6	0	0%	6	0.0	0.0%	54	(0.1)	-0.2%
State Patrol Highway Account (081)	267	0	0%	329	(0.4)	-0.1%	3,010	(18.9)	-0.6%
Highway/Motorcycle Safety Accts. (106 & 082)	154	0	0%	159	(0.2)	-0.1%	1,422	(0.5)	0.0%
Freight Mobility Investment Account (09E)	6	0	0%	6	0.0	0.0%	48	0.0	0.0%
Air Pollution Control Account (216)	9	0	0%	4	0.0	0.5%	4	0.0	0.5%
Vessel Response Account (07C)	3	0	0%	1	0.0	0.5%	1	0.0	0.5%
<b>Total for State Use</b>	<b>2,781</b>	<b>0</b>	<b>0%</b>	<b>3,311</b>	<b>(1.2)</b>	<b>0.0%</b>	<b>32,029</b>	<b>(12.5)</b>	<b>0.0%</b>
<b>Local Uses</b>									
Cities	181	0	0%	196	(0.5)	-0.2%	1,824	(1.2)	-0.1%
Counties	316	0	0%	334	(2.9)	-0.9%	3,104	(23.3)	-0.7%
Transportation Improvement Board (112 & 144)	201	0	0%	206	(0.5)	-0.2%	1,913	(1.3)	-0.1%
County Road Administration Board (102 & 1116)	68	0	0%	69	(0.2)	-0.2%	643	(0.4)	-0.1%
<b>Total for Local Use</b>	<b>766</b>	<b>0</b>	<b>0</b>	<b>806</b>	<b>(4.0)</b>	<b>-1.6%</b>	<b>7,484</b>	<b>(26.2)</b>	<b>-1.0%</b>
<b>Total Distribution of Revenue</b>	<b>3,634</b>	<b>0</b>	<b>0%</b>	<b>4,227</b>	<b>1.7</b>	<b>0.0%</b>	<b>40,615</b>	<b>14.3</b>	<b>0.0%</b>

Current Forecast and Legislative Baseline Comparison for Transportation Revenues November 2007 • <i>millions of dollars</i>									
	2005-07			Current Biennium 2007-09			16-Year Period (2007-2023)		
	Actuals Nov. 07	Change from Baseline*	Percent Change from Baseline	Forecast Nov. 07	Change from Baseline*	Percent Change from Baseline	Forecast Nov. 07	Change from Baseline*	Percent Change from Baseline
<b>Sources of Revenue</b>									
Motor Vehicle Fuel Taxes	2,215	(4.7)	-0.2%	2,589	(82.2)	-3.2%	24,586	(986.9)	-4.0%
Licenses, Permits and Fees	815	2.6	0.3%	941	(0.1)	0.0%	8,477	(18.7)	-0.2%
Ferry Fares**	286	(1.3)	-0.4%	309	(4.7)	-1.5%	3,279	(40.9)	-1.2%
Toll Revenue***	n/a	n/a	n/a	77	0.0	0.0%	1,343	9.1	0.7%
Aeronautics Revenues	6	0.0	0.3%	6	(0.3)	-4.2%	54	(2.5)	-4.6%
Rental Car Tax	45	0.2	0.4%	49	(1.6)	-3.2%	510	(13.4)	-2.6%
Vehicle Sales Tax	73	0.6	0.9%	77	0.8	1.1%	767	12.2	1.6%
Driver Licenses and Other									
Driver-Related Fees	154	5.2	3.4%	159	4.3	2.7%	1,422	35.0	2.5%
Miscellaneous Revenues	40	1.4	3.4%	20	(0.6)	-3.1%	178	(10.6)	-6.0%
<b>Total Revenues</b>	<b>3,634</b>	<b>4.0</b>	<b>0.1%</b>	<b>4,227</b>	<b>(84.2)</b>	<b>-2.0%</b>	<b>40,615</b>	<b>(1,016.7)</b>	<b>-2.5%</b>

\* 2007 Legislative Baseline represents revenue assumptions displayed in 0709 Enacted TEIS Report.

\*\* The November 2007 Transportation Revenue Forecast for Ferry Fares reflects Scenario 2 which includes the 2.5% fare increase on May 1, 2007, with no further increases until October 2009. 2.5% fare increases are assumed each October thereafter, 2009-2023. This scenario corresponds with the Legislative baseline scenario #10.

\*\*\*The September 2007 Forecast was the first forecast to include Tacoma Narrows Bridge toll revenue.

Numbers may not add due to rounding.

# Historical and Forecast Projections for Petroleum Prices

## November 2007 Revenue Forecast

Washington Retail Gasoline <sup>1</sup>				Washington Retail Diesel <sup>1</sup>				Crude Oil - Price per Barrel <sup>2</sup>			
Fiscal Year 2007	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic		
		3.08			3.12			74.41			
		3.09			3.41			73.04			
		2.91			3.26			63.80			
		2.60			2.77			58.89			
		2.54			2.91			59.08			
		2.65			3.08			61.96			
		2.64			2.94			54.51			
		2.50			2.81			59.28			
		2.77			2.88			60.44			
		3.12			3.03			63.98			
		3.44			3.07			63.46			
		3.26			3.03			67.49			
	Annual Average	2.88			3.03			63.36			
Fiscal Year 2008		3.05			3.05			74.12			
		2.88			3.15			72.36			
		2.92			3.13			79.91			
		3.05			3.46			85.80			
	3.12	3.21	3.33	3.57	3.69	3.85	85.85	95.90	109.69		
	3.12	3.21	3.32	3.46	3.57	3.72	80.07	89.44	102.30		
	2.78	2.98	3.32	2.93	3.16	3.58	70.37	81.62	104.31		
	2.74	2.94	3.27	3.01	3.25	3.69	68.69	79.68	101.83		
	2.85	3.06	3.41	3.11	3.37	3.83	67.86	78.70	100.58		
	2.74	2.97	3.32	3.06	3.35	3.82	64.01	74.20	91.14		
	2.84	3.07	3.44	3.12	3.42	3.91	64.80	75.10	92.25		
	2.84	3.07	3.44	3.11	3.40	3.89	64.01	74.20	91.14		
	Annual Average	2.91	3.03	3.23	3.18	3.33	3.59	73.15	80.09	92.12	
	FY 2009	July -Sept	2.71	2.93	3.19	3.09	3.38	3.73	64.99	75.33	86.58
Oct - Dec		2.60	2.81	2.99	2.86	3.12	3.34	62.76	72.83	80.41	
Jan - Mar		2.59	2.80	2.96	2.83	3.09	3.28	63.42	73.67	81.17	
Apr - June		2.76	2.99	3.16	3.10	3.39	3.60	64.29	74.67	82.17	
Annual Average		2.66	2.88	3.07	2.97	3.25	3.49	63.87	74.12	82.58	
FY 2010	July -Sept	2.69	2.92	3.08	3.11	3.41	3.62	64.58	75.00	82.50	
	Oct - Dec	2.61	2.83	2.99	2.90	3.16	3.36	63.72	74.00	81.50	
	Jan - Mar	2.62	2.84	3.00	2.86	3.13	3.32	63.10	73.50	81.00	
	Apr - June	2.78	3.02	3.19	3.11	3.41	3.62	63.68	74.17	81.67	
	Annual Average	2.68	2.90	3.07	3.00	3.28	3.48	63.77	74.17	81.67	

Shading = Actuals; No shading = Forecast

<sup>1</sup> Washington retail price per gallon for gasoline is for all Grades. Both gasoline and diesel retail prices include state and federal taxes

<sup>2</sup> U.S. West Texas Intermediate Crude

### SOURCES:

#### Retail Gasoline:

Actuals are collected from Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in Washington conducted each Monday.

Forecasted prices are determined from Global Insights November 2007 forecast of quarterly U.S. retail prices for all grades of gasoline adjusted for Washington's taxes compared to U.S. taxes.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. gasoline prices published by the November 2007 EIA Short-Term Energy Outlook (STEO).

#### Retail Diesel:

Actuals are collected from AAA's publication of retail prices for diesel in Washington conducted Monday of each week.

Forecasted prices are determined from Global Insights November 2007 forecast of producer price index for refined petroleum products.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the November 2007 EIA STEO.

#### West Texas Intermediate (WTI) Crude:

Actuals are collected from Global Insights November 2007 series for U.S. prices for WTI crude.

Forecasted prices are determined from Global Insights November 2007 forecast of WTI crude.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. WTI crude prices published by the November 2007 EIA STEO.

# Historical and Forecast Projections for Washington State Ferry Diesel Fuel Prices

Ex-tax price per gallon • November 2007 Revenue Forecast

## Petroleum Prices--History and Forecast Scenarios--November 2007

Ex-tax Price per Gallon

### Washington State Ferry Diesel Fuel <sup>3</sup>

		Optimistic	Baseline	Pessimistic
Fiscal Year 2007	Jul-2006		2.34	
	Aug-2006		2.62	
	Sep-2006		2.19	
	Oct-2006		1.87	
	Nov-2006		2.17	
	Dec-2006		2.23	
	Jan-2007		1.83	
	Feb-2007		2.00	
	Mar-2007		2.07	
	Apr-2007		2.23	
	May-2007		2.21	
	Jun-2007		2.18	
	<b>Annual Average</b>		2.17	
Fiscal Year 2008	Jul-2007		2.29	
	Aug-2007		2.25	
	Sep-2007		2.35	
	Oct-2007	2.61	2.72	2.88
	Nov-2007	2.73	2.85	3.02
	Dec-2007	2.62	2.73	2.89
	Jan-2008	2.07	2.31	2.74
	Feb-2008	2.15	2.40	2.85
	Mar-2008	2.26	2.52	3.00
	Apr-2008	2.20	2.50	2.99
	May-2008	2.27	2.57	3.08
	Jun-2008	2.25	2.56	3.06
	<b>Annual Average</b>	2.36	2.50	2.79
FY 2009	July -Sept	2.22	2.52	2.88
	Oct - Dec	1.98	2.25	2.47
	Jan - Mar	1.95	2.22	2.41
	Apr - June	2.23	2.53	2.75
	<b>Annual Average</b>	2.10	2.39	2.64
FY 2010	July -Sept	2.24	2.55	2.77
	Oct - Dec	2.02	2.30	2.50
	Jan - Mar	1.99	2.26	2.46
	Apr - June	2.24	2.55	2.77
	<b>Annual Average</b>	2.13	2.42	2.63

Shading = Actuals; No shading = Forecast

<sup>3</sup> Ex-tax price per gallon

#### SOURCES:

Washington State Ferry Diesel Fuel

Monthly actual prices are supplied by WSF.

Forecasted prices are determined from Global Insight's November 2007 forecast of producer price index for refined petroleum products.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the November 2007 EIA STEO.